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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

SEP 29 2021

DOCKETED BY

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LEA MÁRQUEZ PETERSON - Chairwoman
SANDRA D. KENNEDY
JUSTIN OLSON
ANNA TOVAR
JIM O'CONNOR

In the matter of:

) DOCKET NO. S-21127A-20-0313

DON HARRIS and DONNA HARRIS,
husband and wife, and

DECISION NO. 78242

DON'S PAINTER STUFF, LLC, an Arizona
limited liability company,

**) ORDER TO CEASE AND DESIST, ORDER
) FOR ADMINISTRATIVE PENALTIES, AND
) ORDER FOR OTHER AFFIRMATIVE
) ACTION**

Respondents.

On October 20, 2020, the Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”) filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist (the “Notice”) against Respondents Don Harris and Don’s Painter Stuff, LLC.

On October 26, 2020, the Division served a copy of the Notice upon Don Harris and Don's Painter Stuff, LLC, by delivering it to Don Harris, Donna Harris, and Don's Painter Stuff, LLC via certified mail. Respondents have not filed a request for a hearing nor have they filed an answer to the Notice.

I.

FINDINGS OF FACT

1. Don Harris ("Harris") was at all relevant times a resident of the state of Arizona. Donna Harris was at all relevant times the spouse of Respondent Don Harris. Donna Harris is joined in this action under A.R.S. §44-2031(C).

1 2. Don's Painter Stuff, LLC, ("Don's Painter Stuff") is a limited liability company
2 organized under the laws of the state of Arizona on or around March 14, 2013. Don's Painter Stuff is
3 a member-managed company and Don L Harris is the sole member.

4 3. Harris and Don's Painter Stuff may be referred to collectively as "Respondents."

5 4. At all relevant times, Harris and Donna Harris were acting for their own benefit and
6 on behalf of and for the benefit of the marital community.

7 5. Respondents posted at least two advertisements, one on August 29, 2020 and one on
8 October 6, 2020, on craigslist.com, an online classifieds website. The advertisements were posted in
9 Phoenix-area pages and related to an investment opportunity.

10 6. On or around August 29, 2020, Respondents published an advertisement titled
11 "LOOKING FOR A SMART INVESTOR" on Craigslist in the Phoenix area under the Financial
12 Services category.

13 7. The Craigslist advertisement stated, in part:

14 a) "...\$75,000 gets you 10% of the \$7,462,517.20 in profits for the FIRST
15 orders..."

16 b) "We will get a minimum of 7 million dollars in purchase orders every Two
17 Months or less to start. You can join me as a full active partner or just sit back
18 and wait for the monthly checks to come in."

19 c) "I have 7 new inventions and have filed Patent Pending on two of them. . ."

20 d) "First of many ULTRA HIGH Returns On Investment. . . I am looking for
21 an Investor or Investors. I am Not looking for a Private Lender."

22 8. On September 3, 2020, an Arizona resident ("Offeree") responded to the Craigslist
23 advertisement via email. The email stated in part "I saw your add [sic] and was interested in learning
24 more." Four minutes later, Harris replied "I can send you my Business Plan but please reply to my
25 primary email at donspainterstuff@gmail.com."

26

1 9. On September 8, 2020, Offeree again sent an inquiry to donspainterstuff@gmail.com.
2 Ten minutes later, Harris responded and attached a 14-page document Harris identified as his
3 “Business Plan.”

4 10. Offeree responded, asking where his company was located, the investment amount
5 Harris was seeking, how long it would take for a return, and if Harris had any investment paperwork.
6 Harris responded “I live in Northern AZ. But once Funded, I plan to move the Company to Mesa
7 AZ. . . . I’m looking for an Investor Partner of \$40,000.00 for 10% and a Main Investor of one million
8 for 35%. . . . The first returns would be within two months after the product is Shelf Ready. . . . I
9 have no investment paperwork because I have no Investors yet.”

10 11. Offeree responded and asked Harris if he invested \$40,000, how he should send the
11 money. Harris responded “Venmo or Zelle or direct deposit into my Bank.”

12 12. On September 10, 2020, Harris emailed Offeree and asked “Are you looking to be an
13 Active or Silent Partner in the Business? The reason I ask is, if you want to have a passive roll then
14 I can set that up with the Accountant and show you as a passive Investor instead of a Partner.” Offeree
15 responded “A passive roll [sic] would be my preference. A lot of this is new to me so I think a passive
16 roll [sic] would be the best route.”

17 13. On September 29, 2020, Respondent sent Offeree an email and attached a 2-page
18 document titled “Itinerary after Funding” outlining Respondent’s two-month plan to fill orders of
19 Respondents’ product.

20 14. Respondents’ Business Plan emailed to Offeree on September 8, 2020, states in part:

21 a) “My first two products we will be launching are called The Tape Things they
22 work with masking tape in construction.”

23 b) “It will be a seven to ten-million-dollar a month profit Company with just the
24 first two tools.”

25 c) “The finished products will be ready for the shelf less than two months after
26 funding.”

1 d) "Exit Strategy: None anticipated. If it comes to that, we will consider sell or
2 buy out, or a Licensing deal."

3
4 e) "I found that my tools would sell. In an overwhelming 100% 'yes' from over
5 75 people, that included clerks in the stores and construction crews on the
6 job."

7 f) "Even though I've only done Research in 7 western states, it concluded with
8 a 100% positive response."

9 15. Respondents' Business Plan contains a section labeled "PROFIT AND LOSS" that
10 contains Respondents' anticipated profits "based on outlets and projected purchases." Respondent
11 calculated these projections by taking 12 hardware and auto parts franchises, such as Home Depot,
12 Lowe's, and Auto Zone, and calculating the total number of stores in the United States for each
13 franchise. Respondent assumed each store in the United States would order 2 cases of the product,
14 with each case costing \$84.00. Using these numbers, Respondents calculated \$9,989,388 total profit,
15 \$2,526,970.80 in total expenses and a total net profit of \$7,462,517.20.

16 16. The Respondents' anticipated profits required placement and sale of the product in
17 tens of thousands of stores, operated by major hardware and auto parts companies. In actuality,
18 Respondents had not sold a single product to any company.

19 17. Respondents' Business Plan states in several places they filed patents on their
20 products: "The first two Tools are tools which I invented, made prototypes of, and filed patents on";
21 "[a]fter applying for a provisional patent in 2017 . . ."; and "[a]fter the patent was filed in 2018 . . ."
22 In no place in the Business Plan nor in the Offeree's communications with Respondents did
23 Respondents provide any sort of description, photograph, or blueprint of the products.

24 18. Respondents have not filed any patent applications with the United States Patent and
25 Trademark Office.

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1 19. On October 13, 2020, after reviewing the Business Plan, Offeree emailed the
2 Respondent and asked what would happen to his investment if Respondent did not find a \$1 million
3 investor. On October 14, 2020, Respondent replied "The Plan is to get the brochures made and
4 present them to the Hardware, Auto Parts and Sherwin-Williams to get their orders and payments for
5 them. . . . Money makes things easier. Your \$50,000.00 plus will come from the first sales to the
6 Buyers." When the Offeree asked what would happen to his investment in the event no stores place
7 any orders, Respondent replied "I can send you pictures of the Tape Thing after you sign my
8 Company NDA and send it back."

9 20. Respondents failed to disclose to Offeree the risk associated with the investment or
10 what would happen to Offeree's investment if the venture is not fully funded.

11 21. In addition to the Craigslist advertisements, on or about August 27, 2020, Harris
12 posted an article on LinkedIn, an online social networking website, titled "Investment Partner
13 needed." The ad stated in part, "I am looking for an investment of one million dollars and I need a
14 team, or a Partner who can either bring that into the Partnership or know how to bring it in through
15 an associate."

16 22. Respondents have failed to request a hearing or file an answer.

17 23. Even though Respondents have not filed an Answer or a Request for Hearing, Harris
18 contacted the Division regarding the Notice. The Division engaged in conversation with Harris and
19 attempted to negotiate a consent. The Parties were not able to come to a mutual agreement.

20 24. Harris sent the Division a letter that, in part, denied some of the allegations in the
21 Notice. Because the parties were not able to reach a consent and Harris denied part of the allegations,
22 the Division filed a Request for Telephonic Pre-Hearing Conference on January 7, 2021.

23 25. The Administrative Law Judge ("ALJ") issued a Procedural Order ("PO") setting a
24 telephonic pre-hearing conference on January 14, 2021. Docket Control sent copies of the PO to the
25 Respondents via certified mail, which were returned undeliverable. Respondents did not appear at
26 the Conference.

26. The telephonic pre-hearing conference was reset to March 22, 2021. Docket Control sent copies of the PO to the Respondents, which were again returned undeliverable.

27. On March 12, 2021, counsel for the Division emailed a copy of the PO to Respondent Harris. Harris responded to counsel's email acknowledging the telephonic status conference. However, on March 22, 2021, Respondents did not appear for the status conference and the ALJ set a hearing date.

28. The PO issued on March 12, 2021 stated, “Respondents’ failure to appear for the telephonic pre-hearing conference may result in a Default Order being issues in this matter.”

II.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondents offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(16), 44-1801(22), and 44-1801(27).

3. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. Respondents violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

5. Respondents violated A.R.S. § 44-1991 by (a) employing a device, scheme, or artifice to defraud, (b) making untrue statements or misleading omissions of material facts, or (c) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit.

6. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

7. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

8. Respondent Harris acted for the benefit of the marital community and, pursuant to A.R.S. §§ 25-214 and 25-215, this order of administrative penalties is a debt of the community.

9. Don Harris directly or indirectly controlled persons or entities within the meaning of A.R.S. § 44-1999, including but not limited to Don's Painter Stuff, LLC. Therefore, Don Harris is jointly and severally liable under A.R.S. § 44-1999 to the same extent as Don's Painter Stuff, LLC for any violations of A.R.S. § 44-1991.

III. ORDER

THEREFORE, on the basis of the Findings of Fact, and Conclusions of Law, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of Respondents' agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondent Harris, individually, and the marital community of Respondent Harris, jointly and severally, shall, pay an administrative penalty in the amount of \$5,000 as a result of the conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest as allowed by law.

IT IS FURTHER ORDERED that the administrative penalty ordered in the preceding paragraph will accrue interest at the rate of the lesser of (i) ten percent per annum or (ii) at a rate per annum that is equal to one per cent plus the prime rate as published by the board of governors of the federal reserve system in statistical release H. 15 or any publication that may supersede it on the date that the judgment is entered.

IT IS FURTHER ORDERED, that if Respondents fail to comply with this order, the Commission may bring further legal proceedings against Respondent, including application to the superior court for an order of contempt.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

Lea M. Márquez Peterson

CHAIRWOMAN MÁRQUEZ PETERSON

David B. Kennedy

COMMISSIONER KENNEDY

Justin Olson

COMMISSIONER OLSON

Anna Tovar

COMMISSIONER TOVAR

James M. O'Connor

COMMISSIONER O'CONNOR



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 29 day of September, 2021.

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MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Carolyn D. Buck, ADA Coordinator, voice phone number (602) 542-3931, e-mail cdbuck@azcc.gov.

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SERVICE LIST FOR: Don's Painter Stuff, LLC

Don Harris
8190 Edwards Ave.
Joseph City, AZ 86032

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8190 Edwards Ave.
Joseph City, AZ 86032